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BIG THREE CONTEST FOR POWER NEARS CLIMAX IN DISPUTED AREAS

ONE of the darkest weeks in the history of the United States temporarily overshadowed, both in its immediate impact and in its ultimate implications, the international crises that continue to mark the world's painful recovery from the agonies of war. The profound shock caused by the railway strike should lead the American people, who had been spared the horrors of war, to view with a greater measure of sympathetic understanding the anxieties, sufferings, and inner conflicts of less fortunate nations while they strive to reconvert the machinery of industrial democracy. Yet so inextricably have the domestic affairs of every nation become bound up with the affairs of the international community as a whole that every country, no matter how great its own internal problems, cannot for a moment take its mind off the deep-seated convulsions that plague the Middle East, Europe and Asia.

IRAN: WHAT KIND OF INTERVENTION?

When the United Nations Security Council met on May 8 to resume consideration of the Iranian situation, Mr. Gromyko, the U.S.S.R. delegate, in accordance with his warning of April 23, was again absent, and the Council received inconclusive reports from Iranian sources concerning the evacuation of Russian troops which had remained in Iran after March 2, in violation of the Anglo-Russian-Iranian treaty of 1942. On May 23 the Moscow radio announced that all Russian troops had been withdrawn from Iran by May 9. Reports of American correspondents who have visited the province of Azerbaijan, which had earlier proclaimed its autonomy and had been the subject of prolonged Russo-Iranian negotiations, indicate that it had in effect been cleared of Russian troops, but that the Soviet authorities had left in their wake a well-established pro-Russian group equipped with modern armaments who, ac-

cording to some accounts, have been engaged in civil war with the central government at Teheran. Thus, presumably, one of Russia's main objectives—to foster establishment in the province of Azerbaijan, adjoining the U.S.S.R., of a "friendly" government—has been achieved, in spite of intervention by the Security Council.

If the ten members of the Council (with Russia absent) should now undertake an investigation of the situation in Iran, as had been previously proposed by the Australian delegate, a further step would be taken toward United Nations intervention in the affairs of that country. Such a step would be fully justified by the provisions of the UN Charter, which charges the Security Council with the function of preventing war by inquiring into any and all situations susceptible of leading to armed conflict, and taking appropriate action. The Council, however, made the initial mistake of concentrating its attention primarily on the question of Russia's violation of the 1942 treaty—a violation which, it indicated, would be corrected by the withdrawal of Russian troops. If, in effect, this withdrawal has taken place, investigation by the Council of attendant circumstances, in particular the charge several times made but never actively pressed by the Iranian government that Russia was interfering in the country's internal affairs, would merit study. This, however, would require the opening of a new stage in the discussion of Iran. At that point Russia, if it participates in the discussion, would be in a position to veto a UN investigation.

There is no doubt that political, economic and social conditions in that country, as pointed out by experts like Dr. Millspaugh, call for some form of outside action if Iran is not to be rent by civil strife. Intervention there will either be continued by each

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of the Big Three piecemeal, or have to be undertaken by a body representing the United Nations. Nor can Iran be considered in a vacuum, apart, for example, from equally controversial neighboring areas like Palestine and Transjordan. Had the issue been presented in this larger form by the United States at the initial meetings of the Security Council, the Western powers might have been able to avoid the stalemate now reached on Iran. And had Russia then publicly refused to cooperate on a program of seeking jointly with other powers to alleviate causes of unrest in Iran, it would have become far more clearly a target for world criticism than it is today.

GERMANY: DIVISION OR UNITY? In Europe, too, it is impossible to proceed with piecemeal decisions, as the events of recent weeks have made amply clear. The Potsdam settlement, reached before the heat of battle in Europe had cooled off, and before the outcome of war in Asia had become known, was based primarily on military considerations. The United States and Britain have become aware, through bitter experience, that certain aspects of the Potsdam settlement are unworkable. But their proposed remedies still show confusion of purpose. The Western powers, harassed by the lack of foodstuffs in their zones of occupation, and the consequent necessity of importing food into Germany which as yet has no exports to pay for its imports, have become doubtful about the wisdom of reducing Germany's industrial productivity, have decided to suspend further reparations in kind, and insist on the need for the creation of a central economic administration which would permit the removal of zonal barriers. The French, however, believe that it is impossible to separate politics and economics, and that the establishment of a central economic administration will inevitably result in the establishment of a central political administration. Actually, the United States has appeared to agree with the French desire for political decentralization by fostering, in accordance with the Potsdam settlement, the creation of local

administrative units in the American zone. Yet this country has not proceeded to the logical sequel of urging a federation of local administrations in Germany.

The British, plagued by their own difficulties in keeping up coal production at home, and therefore determined to maintain control of the Ruhr coal mines, have been no more enthusiastic than the United States about the French proposal for placing the Ruhr under international control. But they have not succeeded as yet in raising coal output in the Ruhr to the level where it could meet the needs of France, Holland, Belgium and other European countries, let alone Germany. Meanwhile the Russians who assumed that, sooner or later, the United States and Britain would become sympathetic to the Germans and would weaken their hold on the defeated enemy, have lost no time in consolidating their own position. This is true not only in the areas assigned to them at Potsdam (which, presumably, are lost to Germany), but also in their zone of occupation. As a result, the problems of the Western powers concerning both the feeding of Germans in their zones and the future political structure of Germany have been greatly increased. Nothing will be gained now by crying over spilt milk. The wisest course would be for the Western powers to admit that certain mistakes were made at Potsdam, and to seek to correct them through revision of that settlement. Unfortunately the breach between the Western powers and Russia has deepened to such an extent that a move in this direction might well be regarded by Russia as an attempt to rob it of the fruits of victory. Yet Mr. Molotov's statement of May 27, in which he endeavors to answer point by point criticisms of Russian policy made by the United States and Britain, indicates that the moment may have arrived when the Big Three will come to grips with the fundamental issues of peacemaking.

VERA MICHELES DEAN

(The first of two articles on possible next steps in disputed areas.)

DOMESTIC CONFLICTS WEAKEN U.S. ECONOMIC LEADERSHIP

In the early days of the war, when this country undertook to supply armaments and other essentials to those who were resisting the onslaught of the Axis, President Roosevelt epitomized our commitments by saying we were to be "the arsenal of democracy." The economic program required at that time was clear-cut. It called for production and more production of those things which were necessary to overcome our enemies. The already enormous productive capacity of this country was further expanded, increasing according to one estimate by 40 per cent from 1940 through 1944. This expansion proved possible because the American people had unity of purpose. The productive power thus built up remains largely

intact and places in our hands an instrument that can contribute immeasurably to world peace, if only we are wise enough to sense its importance and to use it constructively.

WORLD LOOKS TO U.S. FOR HELP. Our allies, who lacked our geographic advantages, were directly exposed to the impact of total war. Their economies were severely damaged. In countries overrun by the Nazis, human and physical resources were seized and ruthlessly converted to the purpose of the German war machine. The result was unparalleled enslavement of workers and spoilage of private property. Similar tactics were pursued by the Japanese. Now that the war is won, the victims of aggression

are in dire need of bare essentials of life—food, clothing and shelter. Although we complain of shortages here, we are comparatively well off, and enjoy a standard of living which will not be matched in Europe for many years to come. The peoples of Europe and other continents therefore look to us for help, knowing that our capacity to produce is larger today than before the war, when it was already not equalled by that of any other nation. They want from us food, coal, equipment, tools, raw materials, and since they do not have the dollars now to pay for all they need, they seek, in addition, our financial assistance.

U.S. ECONOMIC FOREIGN POLICY. U.S. plans for the postwar world economy envisage a return to multilateral trade and stable exchange rates. On the trade front we have taken the initiative in planning for an international conference on trade policies, to be convened shortly with some fifteen leading trading nations represented. It is hoped that steps can be taken at that time to reduce barriers to freer world trade. To achieve a system of free and stable exchange rates, we have joined with other nations in setting up the International Monetary Fund. Moreover, since the flow of capital abroad must be resumed, we are making a large contribution to the capital of the International Bank for Reconstruction and Development. But this Bank will not begin large-scale operations before the early part of 1947. To bridge this interval, the United States has completed an agreement to grant Britain a \$3,750 million credit, which awaits the approval of Congress. In addition the Export-Import Bank, since the end of the war, has extended several hundred million dollars in credits to aid in reconstruction abroad. Credits are also being provided to permit purchase of our surplus war goods overseas.

A loan to France of over \$600 million, recently negotiated but not yet officially announced, reduces the lending power of the Bank to the point where it will be unable to make further large commitments.

We have, however, promised China a large loan, and have indicated our willingness to give Russia similar assistance, provided Russia meets certain conditions. Accordingly, the President has stated that he will request Congress to increase the Bank's lending power by \$1,250 million.

NEED FOR PROMPT RECONVERSION. If peace is to mean something more than mere cessation of hostilities, it is imperative that we implement our foreign economic program by promptly settling our domestic differences and restoring production to full capacity. For several months our economy has been subjected to crippling strikes, reaching the point last week of complete paralysis with the breakdown of railroad negotiations. This crisis comes at a time when democratic peoples look to us for leadership and material aid, knowing that ours is the only economy with a ready and vast production potential.

Living on short rations as they are, their sense of despair is accentuated by our seeming inability to find the key to full production before inflationary tendencies become unmanageable. They know the economics of inflation from first-hand experience, and are themselves even now battling it with far less resources at their command than we have. If the United States does not lead the way to a sounder world economy, they rightly reason that their prospects are dismal; that the spiral of inflation will bring catastrophic deflation, with misery for all. The balance in the political and social structure of Europe is already dangerously precarious; only by prompt restoration of full production here can we hope to save the day for those who aspire to democratic ideals.

While the need for the necessities of life is acute in many countries, avoidance of economic collapse requires that the local means of production be restored forthwith. Thus, for example, Europe today is experiencing a coal famine which, until it is solved, will continue to paralyze production. Dollar credits to Europe are of little avail in meeting quickly this critical shortage; the only remedy is for us to produce and export more coal. The more prolonged our failure to solve these domestic economic problems, the greater is our delay in facing squarely fundamental issues that are inseparable from economic foreign policy. Not least of these issues is the crucial problem of imports. Unless we import on a scale larger than any hitherto achieved by this country in peacetime, the outlook for a stable world economy founded on multilateral trade will become well-nigh hopeless.

HAROLD H. HUTCHESON

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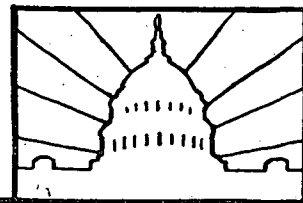
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Washington News Letter



U.S. AND RUSSIA CONTEND FOR INFLUENCE IN DANUBIAN BASIN

The controversy over control of the Danube river, which drains 1,750 miles of fertile land from the Black Forest to the Black Sea, is a striking example both of how the interests of the United States have expanded far beyond American shores and of the issues on which the United States and the U.S.S.R. disagree. Below the Grein whirlpool, east of Vienna, the river winds among countries whose governments lean toward Russia, and is closed to traffic from the United States zone west of Vienna. Our political philosophy has had relatively little influence on the development of these countries and our peacetime trade barely exceeds the value of the UNRRA supplies we ship them.

U.S. HOLDS DANUBIAN SHIPS. The Danubian shipping held by U.S. authorities provides Washington with one of the few tangible diplomatic weapons it can use to wrest from Russia a measure of economic and political influence in the countries of the Danubian basin — Czechoslovakia, Hungary, Yugoslavia, Bulgaria and Rumania. When the occupation began, the United States found in its zone about 800 Danube ships whose masters, aided by Axis satellite governments, had rushed them upstream from the eastern countries in the fall of 1944 and early 1945 to prevent them from falling into the hands of the swiftly advancing Russians. The seizure of 372 vessels on May 21 by the U.S. Army underlined this country's intention to use them in bargaining with Russia and the governments of Danubian countries.

While many of the ships are Austrian or German, several hundred of them came from Czechoslovakia, Hungary and Yugoslavia, and the governments of those states have asked for their return by the United States. This country, however, has refused to send them back. Russia last February sought to gain title to the Austrian ships, which at the time of Germany's surrender belonged to the Danube Shipping Corporation. The *Creditanstalt* in Vienna, which held the common stock of that concern, was requested by Russian officials in Austria to turn over to them the shares and funds of the corporation. The Soviet government claims the ships under the terms of the Potsdam agreement, which authorized Russia to take as reparations the assets of Germany in eastern Europe. Although it is possible to argue that the ships had been acquired by German owners during the war, the United States did not permit the *Creditanstalt* to make the transfer.

The Danubian ships, some of which are designed to ply not only the river but the Black Sea and the Mediterranean, have become important counters in the economic policy Russia pursues in eastern Europe. On March 29, for example, Russia and Hungary signed an agreement to establish a joint stock company for navigation, *Maszhohart*, an arrangement similar to other "50-50" companies Russia has established in the Danubian region. Russia undertook to contribute to *Maszhohart* the Pecs coal mine in Hungary, which it had taken for reparation as a firm previously owned by the Germans, and 20 ships from Austria. Hungary will not have the ships, however, until the United States releases them. Since about 1,500 ships remain in the zone where Russia has influence, the Rumanian "50-50" navigation company, *Sovramtransport*, has been able to obtain capital equipment for its operations. Many Rumanian vessels, however, are unfit for navigation on the upper Danube.

RUSSIAN-AMERICAN ISSUE. In its efforts to pry open eastern Europe, this country has replaced Britain and France as the chief Western power interested in the affairs of a region where the Danube is the main artery of communications and commerce. The century-old issue—free navigation of the Danube under international control, in which non-Danubian countries would participate—has become a cardinal point of United States foreign policy. But while Britain and France in 1856 obtained general assent to free navigation, the United States so far has been unable to persuade Russia to accept our arguments. Free navigation would open eastern Europe to Western influence and, according to Washington, would add to the national incomes of the Danubian countries.

The United States proposed free navigation not only of the Danube but also the Rhine, Elbe and Weser rivers at the Potsdam Conference last summer, at the meeting of Foreign Ministers in London, at the Big Three conference in Moscow last December, and at the recent gathering of the Foreign Ministers in Paris. Our disagreement with Moscow centers on Russia's contention that control over the Danube should be limited to countries bordering the river, among which Russia has been numbered since the restoration of Bessarabia to Russia in 1940.

BLAIR BOLLES